

STATEMENT OF SENATOR SAM BROWNBACK  
SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION  
MARCH 7, 2000

**THE COMMITTEE WILL COME TO ORDER. THE COMMITTEE TODAY WILL HEARING TESTIMONY ON S. 1755, THE MOBILE TELECOMMUNICATIONS SOURCING ACT OF 1999, INTRODUCED BY MYSELF AND SENATOR DORGAN IN OCTOBER. I AM ALSO PLEASED TO ANNOUNCE THAT SENATORS LOTT, ASHCROFT, CLELAND, AND KERRY HAVE SIGNED ON AS CO-SPONSORS OF THE BILL. THE LEGISLATION WOULD CREATE A UNIFORM, NATIONAL FRAMEWORK FOR THE TAXATION OF WIRELESS CALLS.**

**THE MOBILE TELECOMMUNICATIONS SOURCING ACT IS THE PRODUCT OF MORE THAN THREE YEARS OF NEGOTIATIONS BETWEEN THE GOVERNORS, CITIES, STATE TAX AND LOCAL TAX AUTHORITIES, AND THE WIRELESS INDUSTRY. THE LEGISLATION REPRESENTS AN HISTORIC AGREEMENT BETWEEN STATE AND LOCAL GOVERNMENTS AND THE WIRELESS INDUSTRY TO BRING SANITY TO THE MANNER IN WHICH WIRELESS TELECOMMUNICATIONS SERVICES ARE TAXED.**

**WIRELESS TELECOMMUNICATIONS HAS CAUGHT FIRE IN THE UNITED STATES. THE UNITED STATES HAS MORE THAN TWELVE TIMES THE NUMBER OF WIRELESS SUBSCRIBERS THAT IT HAD IN 1990. ALMOST ONE IN THREE PEOPLE IN THE UNITED STATES CURRENTLY HAVE A CELLPHONE.**

**WIRELESS TELECOMMUNICATIONS IS EXPECTED TO GROW AT A RATE OF 18% PER YEAR OVER THE NEXT SEVERAL YEARS. BY 2004, WIRELESS SERVICES IN THE UNITED STATES ARE EXPECTED TO ACHIEVE A PENETRATION RATE OF 70%, WHICH WOULD MEAN THAT THERE WILL BE 200 MILLION WIRELESS SUBSCRIBERS IN THE U.S. ALONE.**

**BUT FOR AS LONG AS WE HAVE HAD WIRELESS TELECOMMUNICATIONS IN THIS COUNTRY, WE HAVE HAD A TAXATION SYSTEM THAT IS INCREDIBLY COMPLEX FOR CARRIERS AND COSTLY FOR CONSUMERS. TODAY, THERE ARE SEVERAL DIFFERENT METHODOLOGIES THAT DETERMINE WHETHER A TAXING JURISDICTION MAY TAX A WIRELESS CALL.**

**IF A CALL ORIGINATES AT A CELL SITE LOCATED IN A JURISDICTION, IT MAY IMPOSE A TAX. IF A CALL ORIGINATES AT A SWITCH IN THE JURISDICTION, A TAX MAY BE IMPOSED. AND IF THE BILLING ADDRESS IS IN**

**THE JURISDICTION, A TAX CAN BE IMPOSED.**

**AS A RESULT, MANY DIFFERENT TAXING AUTHORITIES CAN TAX THE SAME WIRELESS CALL. THE FARTHER YOU TRAVEL DURING A CALL, THE GREATER THE NUMBER OF TAXES THAT CAN BE IMPOSED UPON IT.**

**FOR EXAMPLE, A BUSINESSWOMAN FROM KANSAS MAKES 3 WIRELESS CALLS ON THE WAY TO THE AIRPORT; FLIES TO DENVER WHERE SHE MAKES 16 CALLS DURING HER CAB RIDES FROM THE AIRPORT TO HER MEETING AND BACK; THEN FLIES TO SEATTLE WHERE SHE PICKS UP A CAR TO DRIVE TO TACOMA. IN THE ROUNDTRIP BETWEEN THE SEATTLE AIRPORT AND TACOMA, SHE MAKES ANOTHER 19 WIRELESS CALLS. SHE MAKES HER FINAL WIRELESS CALL OF THE DAY ON THE DRIVE HOME FROM THE KANSAS CITY AIRPORT. DURING THIS ONE BUSINESS DAY, 39 WIRELESS CALLS HAVE BEEN MADE, WHICH REQUIRE HER WIRELESS CARRIER TO KEEP TRACK OF THE TAX RATES AND RULES IN 26 DIFFERENT STATE AND LOCAL TAXING JURISDICTIONS.**

**THIS SYSTEM IS SIMPLY NOT SUSTAINABLE AS WIRELESS CALLS REPRESENT AN INCREASING PORTION OF THE TOTAL NUMBER OF CALLS MADE**

**THROUGHOUT THE UNITED STATES. TO REDUCE THE COST OF MAKING WIRELESS CALLS, SENATOR DORGAN AND I INTRODUCED THIS LEGISLATION.**

**THE MOBILE TELECOMMUNICATIONS SOURCING ACT HAS TWO PRIMARY COMPONENTS. FIRST, THE BILL ELIMINATES THE MULTIPLE TAXATION PROBLEM OF OUR CURRENT SYSTEM. ONLY THE STATE, LOCAL, AND SUB-LOCAL AUTHORITIES IN A CONSUMER'S A PLACE OF PRIMARY USE® CAN IMPOSE A TAX ON A WIRELESS CALL, REGARDLESS OF WHERE THE CALL ORIGINATES, TERMINATES, OR PASSES THROUGH. THE A PLACE OF PRIMARY USE® IS EITHER DEFINED AS THE CUSTOMER'S HOME OR BUSINESS ADDRESS.**

**SECOND, THE LEGISLATION ESTABLISHES A MECHANISM FOR CREATING DATABASES TO DETERMINE THE APPROPRIATE TAXING JURISDICTIONS FOR A CUSTOMER'S PLACE OF PRIMARY USE.**

**BY CREATING THIS UNIFORM SYSTEM, CONGRESS WOULD BE GREATLY SIMPLIFYING THE TAXATION AND BILLING OF WIRELESS CALLS. THE WIRELESS INDUSTRY WOULD NOT HAVE TO KEEP TRACK OF COUNTLESS TAX LAWS FOR EACH WIRELESS TRANSACTION. STATE AND LOCAL TAXING**

**AUTHORITIES WOULD BE RELIEVED OF BURDENSOME AUDIT AND OVERSIGHT RESPONSIBILITIES WITHOUT LOSING THE AUTHORITY TO TAX WIRELESS CALLS. AND, MOST IMPORTANTLY, CONSUMERS WOULD SEE REDUCED WIRELESS RATES AND FEWER BILLING HEADACHES.**

**IN THE EXAMPLE THAT I MENTIONED EARLIER, UNDER OUR LEGISLATION, THE 39 WIRELESS CALLS THAT MY CONSTITUENT MADE WOULD, FOR TAX PURPOSES, BE DEEMED TO HAVE ALL TAKEN PLACE FROM HER KANSAS CITY ADDRESS. AS A RESULT, ONLY THREE TAXING JURISDICTIONS, KANSAS CITY, WYANDOTTE COUNTY, AND THE STATE OF KANSAS , IN WHICH HER BUSINESS ADDRESS IS LOCATED, WOULD HAVE THE AUTHORITY TO TAX THE 39 CALLS.**

**THE MOBILE TELECOMMUNICATIONS SOURCING ACT IS A WIN-WIN-WIN. IT'S A WIN FOR INDUSTRY, A WIN FOR GOVERNMENT, AND A WIN FOR CONSUMERS. I THANK SENATOR DORGAN FOR WORKING WITH ME IN CRAFTING THIS BILL. AND, MOST OF ALL, I THANK THE GROUPS REPRESENTED HERE TODAY FOR COMING TOGETHER AND REACHING AGREEMENT ON THIS IMPORTANT ISSUE.**

**I WOULD LIKE TO WELCOME ALL OF OUR**

**WITNESSES TODAY. TOM WHEELER, PRESIDENT OF THE CELLULAR TELECOMMUNICATIONS INDUSTRY ASSOCIATION. RAYMOND SCHEPPACH, EXECUTIVE DIRECTOR OF THE NATIONAL GOVERNORS= ASSOCIATION. DAN BUCKS, EXECUTIVE DIRECTOR OF THE MULTISTATE TAX COMMISSION. AND, IN PARTICULAR, I WOULD LIKE TO WELCOME MAYOR IRENE FRENCH OF MERRIAM, KANSAS.**